

**MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2005**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY</b>	County <b>Calhoun</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>8/4/05</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  
Authority has no investments - is in process with creating a policy

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Osbourne, March, Condon &amp; Co., P.C.</b>			
Street Address <b>184 W. Carleton Road</b>	City <b>Hillsdale</b>	State <b>MI</b>	ZIP <b>49242</b>
Accountant Signature <i>Stephen W. Binker, CPA</i>		Date <b>9.13.05</b>	

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

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Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

Authority Board  
Marshall Area Fire Fighters Ambulance Authority  
Marshall, Michigan

We have audited the accompanying financial statements of the governmental activity and major fund activity of the Marshall Area Fire Fighters Ambulance Authority, as of and for the year ended June 30, 2005, which collectively comprises the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marshall Area Fire Fighters Ambulance Authority management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity and major fund activity of the Marshall Area Fire Fighters Ambulance Authority, as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2005 on our consideration of Marshall Area Fire Fighters Ambulance Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages III through VII and Page 15 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Osbourne, March, Condon, & Co., P.C.*

Certified Public Accountants

Hillsdale, Michigan  
August 4, 2005



## **Marshall Area Fire Fighters Ambulance Authority**

### **Management's Discussion and Analysis Year Ended June 30, 2005**

The following discussion and analysis of the financial performance for the Marshall Area Fire Fighters Ambulance Authority (the "Authority") provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Authority's financial statements.

#### **General Information**

The Marshall Area Fire Fighters Ambulance Authority was established under Act 57 of Public Acts of 1988, on April 15, 2004, as a municipal authority to provide ambulance service to the Townships of Burlington, Clarendon, Convis, Eckford, Fredonia, Lee, Marengo, Marshall, Tekonsha, the City of Marshall, and the Village of Tekonsha.

The Authority is governed by a sixteen member Board of Directors comprised of members representing each municipality, three members from the Marshall Fire Fighters Association and one member from Oaklawn Hospital – Marshall, Michigan.

The Authority's first official fiscal year began on July 1, 2004. During the period between July 1, 2004 and December 31, 2004, the Authority was preparing to take over the operations of the Marshall Fire Fighters Ambulance Service, Inc. The Authority began providing ambulance services effective January 1, 2005. Therefore, this analysis discusses operations that occurred only six out of the twelve months of the fiscal year. Furthermore, because this is the first year of operations there are no financial comparisons to a previous fiscal period. Comparative analysis will be provided in future years when prior year information is available.

#### **Financial Highlights**

The following represents the most significant financial highlights for the year ended June 30, 2005:

- The financial report for the year ended June 30, 2005 reflects complete implementation of Governmental Accounting Standards Board Statement Number 34. Accordingly, these statements present both entity-wide financial reporting for all governmental activities in addition to reporting financial information at the fund level. A reconciliation of the net change in fund balance to the change in net assets is provided on page 6.
- The Authority was authorized by public vote on August 3, 2004 to levy 0.50 mills for a period of ten years. This levy generated \$312,277 in property tax revenue. An additional \$9,232 of property taxes captured by the Marshall Downtown Development Authority & Local Development Finance Authority was donated back to the Ambulance Authority.
- The Authority acquired a new ambulance in the amount of \$89,500 and a new office photo copier machine in the amount of \$2,895.
- The Authority took over the operations of the Marshall Fire Fighters Ambulance Service, Inc. on January 1, 2005. The Authority and the Ambulance Service entered into an agreement, whereby, the Ambulance Service agreed to the sale all of its assets to the Authority for a nominal amount of one dollar. However, the Authority reported the fair value of the net assets received in its financial statements as a donation in the amount of \$291,505. The Authority assumed a note payable in the amount of \$48,614 related to the donated rescue equipment included in the \$291,505.

# Marshall Area Fire Fighters Ambulance Authority

## Management's Discussion and Analysis

Year Ended June 30, 2005

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Marshall Area Fire Fighters Ambulance Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business, and therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Authority's finances and whether taxpayers have funded the full cost of providing government services. The first two statements are government-wide and include the following:

- The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick and vacation leave).

The government-wide financial statements can be found on pages 1-2 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Marshall Area Fire Fighters Ambulance Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the Authority's operations in more detail than the government-wide financial statements. These statements present a shorter-term view and tell how taxpayer resources were spent during the year.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements tell how general government services were financed in the short-term as well as what remains for future spending. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

# **Marshall Area Fire Fighters Ambulance Authority**

## **Management's Discussion and Analysis**

**Year Ended June 30, 2005**

### **Overview of the Financial Statements (Concluded)**

The Authority adopts an annual appropriated budget for its fund activity. A budgetary comparison schedule has been provided for the Authority's fund activity.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

### **Financial Analysis of the Authority as a Whole**

The increase in the Authority's net assets is due to two primary factors:

1. The Authority collected property taxes representing a full year tax levy and only operated ambulance services for six months.
2. The Authority was donated all of the Marshall Fire Fighters Ambulance Service, Inc. net assets (assets minus assumed debt) totaling \$291,505, that was reported as revenue.

The following table shows, in a condensed format, the net assets of the Marshall Area Fire Fighters Ambulance Authority as of June 30, 2005.

TABLE 1 – Marshall Area Fire Fighters Ambulance Authority's Net Assets

Assets	
Current assets	\$ 372,962
Noncurrent capital assets	297,098
	<hr/>
Total Assets	\$ 670,060
	<hr/>
Liabilities and Net Assets	
Liabilities	
Current liabilities	\$ 45,700
Other liabilities	6,038
Long-term liabilities	34,588
	<hr/>
Total Liabilities	\$ 86,326
	<hr/>
Net Assets	
Invested in capital – net of related debt	\$ 251,910
Unrestricted	331,824
	<hr/>
Total Net Assets	\$ 583,734
	<hr/>
Total Liabilities and Net Assets	\$ 670,060
	<hr/>



# **Marshall Area Fire Fighters Ambulance Authority**

## **Management's Discussion and Analysis Year Ended June 30, 2005**

### **Financial Analysis of the Authority as a Whole (Concluded)**

The following is the government-wide results of operations for the fiscal year ended June 30, 2005:

The Authority's total revenues for the current year totaled \$1,140,396 that was comprised of (1) property taxes totaling 27%, (2) ambulance service charges totaling 45%, and (3) the donation from the Marshall Fire Fighters Ambulance Service, Inc. representing 25% of revenues. Other revenues (other donations, interest, etc.) were 3%. The total cost to provide ambulance services for the six months ended June 30, 2005 was \$556,662. The Authority's expenses are comprised of a variety of expenses. The primary cost incurred in providing ambulance services is in personnel salaries/wages and benefits totaling \$411,800 which is 81% of total expenses.

TABLE 2 – Changes in Marshall Area Fire Fighters Ambulance Authority's Net Assets

Revenue	
Program Revenue	
Charges for services	\$ 507,090
Operating grants and contributions	3,654
General Revenue	
Property taxes	312,277
Interest	298
Donations	303,912
In-kind occupancy	9,300
Other	3,865
Total Revenue	<u>\$ 1,140,396</u>
Program Expenses	
Ambulance services	<u>\$ 556,662</u>
Change in Net Assets	<u>\$ 583,734</u>

### **Financial Analysis and Highlights of the Authority's Fund**

The fund financial statements provide detailed information about the most significant funds, not the Authority as a whole. The Authority has only one fund that accounts for all of its operating revenues and expenditures.

In fiscal year 2004/2005, the Authority recognized capital outlay expenditures totaling \$304,592 comprised of (1) Board authorized disbursements to purchase a new ambulance in the amount of \$89,500 and a new office photo copier machine in the amount of \$2,895, and (2) donated rescue equipment in the amount of \$212,197. In addition to acquiring rescue equipment, the Authority assumed related debt to the donation in the amount of \$48,614 that was reported as other financing sources.

# **Marshall Area Fire Fighters Ambulance Authority**

## **Management's Discussion and Analysis**

**Year Ended June 30, 2005**

### **Financial Analysis and Highlights of the Authority's Fund (Concluded)**

The Authority exceeded its original and amended budget by \$248,923 and \$210,555, respectively, due directly to recording donated equipment in the amount of \$212,197. However, the Authority disbursed cash in an amount less than its amended budget.

The Authority increased its original budget by \$38,368 primarily in the following areas:

Personnel costs	\$ 25,368
Professional service	6,400
Bad debt expense	5,000
Other areas – net	<u>1,600</u>
	<u>\$ 38,368</u>

As of June 30, 2005, the Authority reported fund balance in the amount of \$336,176 representing approximately 40% of fund operating expenditures.

### **Capital Asset and Debt Administration**

At the end of fiscal year 2004/2005, the Authority had \$297,098 (net of depreciation) invested in rescue, medical, and office equipment. Related to these assets is debt in the amount of \$48,614.

### **Economic Factors and Next Year's Budgets and Rates**

Property tax revenue is anticipated to increase at a rate of 2% for the 2005/2006 fiscal year. The State of Michigan, through legislation, reduced Medicaid reimbursements to participating third party's for medical claims by approximately 4%. The Authority's budget constitutes twelve months of operations for 2005/2006. The budget plans for capital expenditures for a new defibrillator in the amount of \$16,000 and new stair chairs in the amount of \$4,000. Fuel cost, employee health insurance, and general liability insurances are expected to be higher in the next fiscal year resulting from economic forces. An increase to fund balance is expected to approximate \$37,000 for fiscal year ending June 30, 2006.

### **Contacting the Authority's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report, or need additional information, or would like to obtain financial statements, please contact the Authority's Director at 323 W. Michigan Avenue, Marshall, Michigan, 49068.

## MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

## STATEMENT OF NET ASSETS

JUNE 30, 2005

	GOVERNMENTAL ACTIVITY
ASSETS	
Current Assets:	
Cash	\$ 234,162
Patient receivables - net of allowance for doubtful accounts and uncollectible insurance reimbursements in the amount of \$30,000 and \$18,000, respectively	122,160
Other receivables	1,686
Inventory	3,900
Prepaid insurance	11,054
Total Current Assets	<u>\$ 372,962</u>
Noncurrent Assets:	
Capital assets	\$ 304,592
Less: accumulated depreciation	<u>(7,494)</u>
Total Noncurrent Assets	<u>\$ 297,098</u>
TOTAL ASSETS	<u><u>\$ 670,060</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	\$ 6,910
Current portion, long-term debt	10,600
Accrued payroll liabilities	24,000
Deferred memberships	4,190
Total Current Liabilities	<u>\$ 45,700</u>
Noncurrent Liabilities:	
Compensated absences	\$ 6,038
Long-term debt, net of current portion	<u>34,588</u>
Total Noncurrent Liabilities	<u>\$ 40,626</u>
TOTAL LIABILITIES	<u>\$ 86,326</u>
Net Assets:	
Invested in capital assets, net of related debt	\$ 251,910
Unrestricted	<u>331,824</u>
Total Net Assets	<u>\$ 583,734</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 670,060</u></u>

See accompanying notes to the basic financial statements.

## MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005

	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
GOVERNMENTAL ACTIVITIES				
General government	<u>\$ 556,662</u>	<u>\$ 507,090</u>	<u>\$ 3,654</u>	<u>\$ (45,918)</u>
		GENERAL REVENUES		
		Property taxes		\$ 312,277
		Interest		298
		Donations		303,912
		In-kind occupancy		9,300
		Other		<u>3,865</u>
		TOTAL GENERAL REVENUES		<u>\$ 629,652</u>
		CHANGE IN NET ASSETS		\$ 583,734
		NET ASSETS - BEGINNING		<u>                    </u>
		NET ASSETS - ENDING		<u>\$ 583,734</u>

See accompanying notes to the basic financial statements.

## MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

## BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2005

## ASSETS

Cash	\$ 234,162
Patient receivables - net of allowance for doubtful accounts and uncollectible insurance reimbursements in the amount of \$30,000 and \$18,000, respectively	122,160
Inventory	3,900
Prepaid insurance	<u>11,054</u>

## TOTAL ASSETS

\$ 371,276

## LIABILITIES AND FUND BALANCES

## Liabilities:

Accounts payable	\$ 6,910
Accrued payroll liabilities	24,000
Deferred membership	<u>4,190</u>

## Total Liabilities

\$ 35,100

## Fund Balances:

## Reserved:

Inventory	\$ 3,900
Prepaid expenses	11,054

## Unreserved:

Undesignated	<u>321,222</u>
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## Total Fund Balances

\$ 336,176TOTAL LIABILITIES AND  
FUND BALANCES\$ 371,276

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
WITH THE STATEMENT OF NET ASSETS

JUNE 30, 2005

GOVERNMENTAL FUND BALANCES \$ 336,176

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources, and  
are not reported in the funds.

The cost of the capital assets is	\$ 304,592	
Accumulated depreciation is	<u>(7,494)</u>	
		297,098

Receivables are expected to be collected in future years and are not available to pay for current year expenditures.	1,686
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Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Notes payable	(45,188)
Compensated absences	<u>(6,038)</u>

GOVERNMENT-WIDE NET ASSETS \$ 583,734

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2005

REVENUES	
Taxes	\$ 312,277
Federal revenues	3,654
Charges for services	507,090
Donations	303,912
Interest	298
In-kind occupancy	9,300
Other	3,865
	<hr/>
TOTAL REVENUES	\$ 1,140,396
	<hr/>
EXPENDITURES	
Salaries and wages	\$ 319,046
Employee benefits	109,172
Office supplies	3,229
Medical supplies	7,301
Operating supplies	1,827
Fuel	10,705
Equipment rental	375
Uniforms	2,803
Utilities	6,949
Professional services	10,018
Advertising	685
Repair and maintenance	11,926
Insurance	7,678
Licenses and permits	372
Dues and memberships	623
Education and training	2,625
Bad debt expense	39,558
In-kind occupancy	9,300
Capital outlay	304,592
	<hr/>
TOTAL EXPENDITURES	\$ 848,784
	<hr/>
REVENUES OVER EXPENDITURES	\$ 291,612
	<hr/>
OTHER FINANCING SOURCES (USES)	
Assumed debt	\$ 48,614
Payments on long-term debt	(4,050)
	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	\$ 44,564
	<hr/>
NET CHANGE IN FUND BALANCE	\$ 336,176
	<hr/>
FUND BALANCES - BEGINNING	
	<hr/>
FUND BALANCES - ENDING	\$ 336,176
	<hr/>

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 336,176

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures and in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	\$ (7,494)	
Capital outlay	<u>304,592</u>	297,098

Repayment of notes payable obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the governmental activity. 3,426

In the statement of activities, compensated absences (Paid Time Off - PTO) are measured by the amounts earned during the year. Therefore, when PTO time is earned, it is recognized as expenditures in the statement of activities. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, PTO earned exceeds the amounts paid. (6,038)

Debt assumed is revenue in the governmental fund, but increases long-term debt in the governmental activity. (48,614)

A receivable to be collected in a future year that is not available to pay for current expenditures is not reported as revenue in the governmental fund, but is reported as revenue in the governmental activity. 1,686

CHANGE IN NET ASSETS - GOVERNMENT-WIDE \$ 583,734

See accompanying notes to the basic financial statements.



MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Marshall Area Fire Fighters Ambulance Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

FINANCIAL REPORTING ENTITY

The Marshall Area Fire Fighters Ambulance Authority (the "Authority") was established under Act 57 of the State of Michigan Public Acts of 1988, on April 15, 2004, by the Townships of Burlington, Clarendon, Convis, Eckford, Fredonia, Lee, Marengo, Marshall, Tekonsha, the City of Marshall, and the Village of Tekonsha all of which are located in Calhoun County, Michigan. The Authority provides ambulance and rescue services to the citizens residing in those localities. Additionally, the Authority provides training and educational services. The Authority is supported through real estate taxes, reimbursements from insurance billing claims, service charges, donations, and service subscriptions to citizens.

The Authority is governed by a sixteen member Board of Directors comprised of members representing each municipality, three members from the Marshall Fire Fighters Association and one member from Oaklawn Hospital - Marshall, Michigan.

The Authority began its first fiscal year effective July 1, 2004 and took over the operations of the Marshall Fire Fighters Ambulance Service, Inc. on January 1, 2005. The Authority and the Ambulance Service entered into an agreement, whereby, the Ambulance Service agreed to the sale of all of its assets to the Authority for a nominal amount of one dollar. However, the Authority reported the fair value of the net assets received in its financial statements as a donation in the amount of \$291,505. The donation is comprised of the following:

Assets:	
Cash	\$ 102,672
Accounts receivable - patient charges	21,058
Inventory	3,500
Employee receivable	2,286
Ambulance rescue and office equipment - fair market value	212,197
Assumed Liabilities:	
Note payable - City of Marshall related to an ambulance reported in fixed assets	(48,614)
Deferred ambulance service subscriptions	( 1,143)
Other liabilities	<u>( 451)</u>
Net Assets Donated	<u>\$ 291,505</u>

ECONOMIC DEPENDENCY

The Authority is economically dependent on real estate taxes collected from a .5 mill levied in the jurisdictions it services. The Authority would not be able to sustain operations absent the levy.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the activities of the Authority. All the Authority's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to patients who use the services of the Authority and (2) grants and contributions that are restricted to meeting operations or capital requirements of the Authority. Taxes, intergovernmental payments or in-kind contributions, and other items not included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Authority only has one governmental fund.

Government-Wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenue to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include patient billing revenues reported as charges for services. All other revenue items are considered to be available only when cash is received by the Authority.

The Authority accounts for all of its activity in only one governmental fund, a *Special Revenue Fund*. Since the Authority is not self-sustaining and because it receives real estate taxes that are legally restricted for the use of the specific purpose carried out by the Authority, governmental accounting standards require that such activity be accounted for in a special revenue fund.

Amounts reported as program revenue include: (1) charges to patients for services and (2) operating grants and contributions. When expenses are incurred for purposes for which both restricted and unrestricted net assets are available, restricted net assets are used prior to unrestricted net assets. At fiscal year ended June 30, 2005 the Authority did not have any restricted net assets.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BANK DEPOSITS

The Authority maintains a checking and savings account with a local financial institution that are comprised of cash deposits only.

INVENTORY

Inventory consists of medical supplies and is valued at cost using the FIFO (first-in, first-out) method.

Generally accepted accounting principles require that inventory be reported at cost. Management has elected to value inventory using the average cost method. The difference between the Authority's inventory valued at average cost and cost was not determined at June 30, 2005. However, because of the small dollar amount and high turnover of inventory, management does not expect the difference in methods to result in a material difference in valuation.

CAPITAL ASSETS

Capital assets that include office and medical equipment and rescue vehicles are reported in the government-wide financial statements. The Authority defines capital assets as those with an initial individual cost of more than \$400 and an estimated useful life in excess of 1 year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the life of an asset are not capitalized but rather expensed in the period incurred.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	YEARS
Equipment	3 - 7
Rescue vehicles	5

ACCOUNTS RECEIVABLE

The Authority uses the allowance method for valuing potentially delinquent accounts. The allowance is estimated based upon a review of outstanding receivables, historical collection information, billings, and existing economic conditions. Past due accounts greater than ninety days are considered delinquent. Delinquent patient accounts are charged to bad debt expense.

NET PATIENT SERVICE REVENUE

The Authority has agreements with third-party payers that provide payments to the Authority at amounts different from its established service rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or for a specific purpose by the donor are reported as restricted net assets. However, donor restricted contributions whose restrictions are met in the same accounting period are reported as unrestricted support. At June 30, 2005, the Authority did not have any restricted net assets.

Generally accepted accounting principles require that in-kind occupancy be recognized as contribution revenue in the period in which the contribution is received and expense in the period the occupancy was used. Management has recognized the fair value of in-kind occupancy in its financial statements at June 30, 2005 in the amount of \$9,300.

PROPERTY TAX

Current property taxes are collected by various taxing entities and remitted to the Authority. Properties are assessed as of December 1, and the related real property taxes are levied and become a lien on December 31. The due date for property tax collections is February 14, after which time property tax bills become delinquent and are turned over to the respective county. Delinquent personal taxes are remitted to the Authority by the various taxing entities when the taxes are collected. Due to the uncertainty of when delinquent personal property taxes will be collected, the Authority does not accrue personal property tax revenue at the end of its fiscal year.

COMPENSATED ABSENCES

Full time employees are eligible to earn personal time off (PTO) upon completing a ninety day probationary period. PTO encompasses a variety of traditional leave time such as vacation, personal days, sick leave, military leave, birthday, and bereavement.

The rate of PTO earned is based on minutes for hours worked and increases with years of service. There is no limit on the amount of PTO that an employee can accumulate. However, an employee who resigns or retires from the Authority will be compensated for their accumulated PTO up to the maximum of 192 hours. For every five hours of earned PTO time accumulated, the employee will be compensated for one hour at their regular hourly rate at the time of separation. An employee who is terminated by the Authority is not entitled to payment for accumulated and unused PTO hours.

At June 30, 2005 employees accumulated unpaid PTO in the amount of \$6,038.

LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statement of net assets. The face amount of debt issued or assumed is reported as other financing sources in the fund balance sheet.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BUDGETS AND BUDGETARY ACCOUNTING

The Authority's budgetary procedures in establishing budgetary data reflected in the financial statements are as follows:

1. The Authority's Director submits to the Authority Board a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is usually enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The budget is adopted on a basis consistent with generally accepted accounting principles, which is the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved or as amended by the Authority Board. The Authority's budget is adopted on a fund basis.
6. Any excess amount budgeted for expenditures are covered by a carryover in fund balance from previous years.
7. Budgeted revenues and expenditures are presented in the statement of revenues, expenditures and changes in fund balances - budget and actual - governmental fund, including any authorized amendments to the original budget as adopted.

ENCUMBRANCE ACCOUNTING

Encumbrances for goods and services are documented by requisitions or contracts. Appropriations lapse at June 30, and any encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at June 30, 2005.

## MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

## NOTE 2: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

At year end, the deposits were reported in the basic financial statements in the following categories:

Cash (checking and savings account)	\$	233,962
Petty cash		200
		<hr/>
Total	\$	234,162

The Authority has designated one financial institution for the deposit of the Authority's funds. The bank balance of the Authority's deposits is \$239,826, of which \$146,781 is covered by federal depository insurance.

## NOTE 3: CAPITAL ASSETS

Capital asset activity of the Authority was as follows:

	BALANCE JULY 1, 2005	ADDITIONS	DISPOSALS	BALANCE JUNE 30, 2005
Capital assets being depreciated:				
Medical equipment	\$	\$ 21,800	\$	\$ 21,800
Rescue vehicles		264,523		264,523
Office equipment and furnishings		18,269		18,269
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	\$	\$ 304,592	\$	\$ 304,592
Accumulated depreciation:				
Medical equipment	\$	\$ 426	\$	\$ 426
Rescue vehicles		6,614		6,614
Office equipment and furnishings		454		454
	<hr/>	<hr/>	<hr/>	<hr/>
	\$	\$ 7,494	\$	\$ 7,494
	<hr/>	<hr/>	<hr/>	<hr/>
Net Capital Assets	\$	\$ 297,098	\$	\$ 297,098

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 4: LONG-TERM DEBT

Long-term debt at June 30, 2005 consisted of the following:

Note payable – City of Marshall – the City obtained financing from a local financial institution for the purchase of an ambulance on behalf of the Authority. Both the City and the financial institution jointly hold title to the ambulance as secured lien holders. The note is payable in monthly installments of \$1,012 to the City, with interest at a rate of 3.98%, through June 1, 2009.

	\$ 45,188
Less: current portion	<u>10,600</u>
TOTAL LONG-TERM DEBT	<u>\$ 34,588</u>

The following is a summary of changes in long-term debt:

	BALANCE JULY 1, 2004	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2005
City of Marshall	<u>\$</u>	<u>\$ 48,614</u>	<u>\$ 3,426</u>	<u>\$ 45,188</u>

The following is a schedule of principal and interest maturities:

	PRINCIPAL	INTEREST	TOTAL
2006	\$ 10,600	\$ 1,595	\$ 12,195
2007	11,000	1,165	12,165
2008	11,400	720	12,120
2009	<u>12,188</u>	<u>260</u>	<u>12,448</u>
	<u>\$ 45,188</u>	<u>\$ 3,740</u>	<u>\$ 48,928</u>

During the year ended June 30, 2005, the Authority incurred interest expense on long-term debt in the amount of \$624.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

JUNE 30, 2005

NOTE 5: EXPENDITURES OVER BUDGET

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved fund budget of the Authority was adopted at the fund level. During the year ended June 30, 2005, the Authority recognized expenditures in its fund, which were in excess of the amended budget in the amount of \$210,555. This excess resulted from an adjustment to record donated equipment in the amount of \$212,197. Therefore, the Authority did not violate its budget resulting from over expending.

NOTE 6: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, unemployment benefits, as well as medical and workmen's compensation benefits provided to employees. The Authority has purchased commercial insurance for general liability on buildings occupied, equipment damage and theft, employee theft, and limited tort claims.

In addition to carrying commercial insurance, the Authority participates in the Michigan Association of Ambulance Services (MAAS), Self-Insured Workers' Compensation Fund (the "Fund") for workers compensation. The Fund was established pursuant to the provisions of Act 45 of Michigan Public Acts of 1974. Premiums for coverage secured by the Authority are determined in accordance with rating guidelines, which provide funds sufficient to secure specific and aggregate reinsurance.

At June 30, 2005, there were no claims which exceeded insurance coverage, nor have any settled claims during the year exceeded insurance coverage. The Authority did not have any significant reduction in insurance coverage during the year.

NOTE 7: COMMITMENTS

The Authority has a \$50,000 line of credit available with a local financial institution. Interest is stated at 2.0% above prime, with an effective rate of 8.25% at June 30, 2005. The note is collateralized by Authority assets, with a maturity date of November 27, 2005. At June 30, 2005, the Authority had not borrowed against the line of credit.

NOTE 8: CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, Authority management does not believe such disallowances, if any, will be material to the financial position of the Authority.



REQUIRED SUPPLEMENTAL INFORMATION

## MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

## REQUIRED SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
Taxes	\$ 306,000	\$ 306,000	\$ 312,277
Federal revenues			3,654
Charges for services	456,000	456,000	507,090
Donations		44,000	303,912
Interest	350		298
In-kind occupancy			9,300
Other	1,000	3,000	3,865
TOTAL REVENUES	<u>\$ 763,350</u>	<u>\$ 809,000</u>	<u>\$ 1,140,396</u>
EXPENDITURES			
Salaries and wages	\$ 320,234	\$ 324,234	\$ 319,046
Employee benefits	98,257	119,625	109,172
Office supplies	8,000	8,000	3,229
Medical supplies	8,000	8,000	7,301
Operating supplies	3,500	3,600	1,827
Fuel	13,000	13,000	10,705
Equipment rental	1,500	1,500	375
Uniforms	2,000	3,000	2,803
Utilities	9,500	8,500	6,949
Professional services	11,500	17,900	10,018
Advertising	3,500	3,500	685
Repair and maintenance	13,000	13,000	11,926
Insurance	13,370	13,370	7,678
Licenses and permits	500	500	372
Dues and memberships	2,000	2,000	623
Education and training	2,000	3,500	2,625
Bad debt expense		5,000	39,558
In-kind occupancy			9,300
Capital outlay	90,000	90,000	304,592
TOTAL EXPENDITURES	<u>\$ 599,861</u>	<u>\$ 638,229</u>	<u>\$ 848,784</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 163,489</u>	<u>\$ 170,771</u>	<u>\$ 291,612</u>
OTHER FINANCING SOURCES (USES)			
Assumed debt	\$	\$	\$ 48,614
Payments on long-term debt	(6,075)	(6,075)	(4,050)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (6,075)</u>	<u>\$ (6,075)</u>	<u>\$ 44,564</u>
NET CHANGE IN FUND BALANCE	\$ 157,414	\$ 164,696	\$ 336,176
FUND BALANCE - BEGINNING			
FUND BALANCE - ENDING	<u>\$ 157,414</u>	<u>\$ 164,696</u>	<u>\$ 336,176</u>

OTHER REPORTS



Osbourne, March, Condon & Co., P.C.

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## MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

### GAO GOVERNMENT AUDITING STANDARDS REPORT

#### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Authority Board  
Marshall Area Fire Fighters Ambulance Authority  
Marshall, Michigan

We have audited the financial statements of the governmental activity and major fund activity fund information of Marshall Area Fire Fighters Ambulance Authority, as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Marshall Area Fire Fighters Ambulance Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marshall Area Fire Fighters Ambulance Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable Condition

We identified the absence of month and year end closing procedures to reconcile general ledger account balances in the Authority's financial books and to adjust them correctly.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Marshall Area Fire Fighters Ambulance Authority in a separate letter dated August 4, 2005.

This report is intended for the information of the Authority Board, management, and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.

*Osborne, March, Condon & Co., P.C.*

Certified Public Accountants

Hillsdale, Michigan  
August 4, 2005



Osbourne, March, Condon & Co., P.C.

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August 4, 2005

To the Authority Board  
Marshall Area Fire Fighters Ambulance Authority  
Marshall, Michigan 49068

We have audited the financial statements of Marshall Area Fire Fighters Ambulance Authority for the year ended June 30, 2005, and have issued our report thereon dated August 4, 2005. Professional standards require that we provide you with the following information related to our audit.

1. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Marshall Area Fire Fighters Ambulance Authority are described in Note 1 to the financial statements. We noted no transactions entered into by Marshall Area Fire Fighters Ambulance Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

2. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of the significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Budget information, allowance for doubtful accounts and allowance for uncollectible insurance reimbursements are the only estimate noted during our audit.

3. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Marshall Area Fire Fighters Ambulance Authority's financial reporting process (that is, cause future financial statements to be materially misstated). There were several adjusting journal entries proposed by us as a result of our audit that, in our professional judgment, had a significant effect on the Marshall Area Fire Fighters Ambulance Authority's financial reporting for the fiscal year ended June 30, 2005. We believe these adjustments are indicative of the lack of formal year end closing procedures to ensure that all accounts are reconciled and that all material economic transactions are recorded. We have addressed the specifics surrounding this concern in our management and comments letter dated August 4, 2005.

4. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Marshall Area Fire Fighters Ambulance Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

6. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Marshall Area Fire Fighters Ambulance Authority auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

7. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Marshall Area Fire Fighters Ambulance Authority. It is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Osbourne, March, Condon & Co., P.C.*

Certified Public Accountants





Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

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August 4, 2005

Marshall Area Fire Fighters Ambulance Authority  
323 West Michigan Ave.  
Marshall, Michigan 49068

In planning and performing our review of the financial statements of Marshall Area Fire Fighters Ambulance Authority for the year ended June 30, 2005, we became aware of matters that are opportunities for strengthening the Company's operations. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 4, 2005, on the financial statements of Marshall Area Fire Fighters Ambulance Authority.

*Osbourne, March, Condon & Co., P.C.*

Certified Public Accountants

## MEMORANDUM

### **YEAR END FINANCIAL CLOSE**

During our audit, we identified a reportable condition in the Authority's internal control over financial reporting. The reportable condition that we identified is the absence of month and year end closing procedures to reconcile general ledger account balances in the Authority's financial books and to adjust them correctly.

Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

On the first day of our audit fieldwork Mark Burke, Director, brought to our attention several general ledger account balances that he did not think were correctly adjusted in addition to several other account balances we identified that were in error. Mark assisted us in preparing fourteen adjusting journal entries that we proposed to the Authority's bookkeeping service organization. The bookkeeping service organization posted the proposed adjusting journal entries without contention.

### Recommendation

We recommend to the Authority the following:

1. Establish month and year end closing procedures to present to its bookkeeping service organization as required accounting procedures to be implemented by the service organization as a function in maintaining the Authority's financial books. This may require an addendum to the existing service contract between the Authority and the service organization.
2. Review month and year end adjusting journal entries prepared and proposed by the bookkeeping service organization for substance and accuracy.
3. Review month and year end general ledgers prepared by the bookkeeping service organization and supporting schedules to balance sheet account balances, and revenue and expense balances as deemed necessary.
4. Noted errors identified monthly or at year end should be communicated back to the bookkeeping service organization. Corrections should then be made to journal entries, general ledger, and/or supporting schedules to report accurate general ledger account balances.

### **INVESTMENT POLICY**

Michigan Compiled Laws, Section 129.95, requires local units of government to adopt an investment policy in accordance with state statute. During our audit Mark Burke, Director, disclosed to us that the Authority was in the process of establishing such a policy.

We recommend the Authority draft an investment policy that best fits its operations and is in accordance with State of Michigan statutes.

### **CAPITALIZATION POLICY**

We encourage the Authority to develop a policy that addresses the dollar amount of purchases required to be capitalized and depreciated over their useful life.

The policy should outline the following information to be maintained in the Authority's records for all capital assets:

- Date of purchase;
- Description and identification (i.e., serial or VIN number);
- Initial cost;
- Depreciation method;
- Useful life.